



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

January 26, 2012

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To: Supervisor Zev Yaroslavsky, Chairman
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From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to read "W. T. Fujioka", is written over the printed name and title.

SACRAMENTO UPDATE

This memorandum contains a pursuit of County position on legislation to postpone the dissolution of redevelopment agencies and a change in County position on legislation related to Sacramento-San Joaquin Delta.

Pursuit of County Position on Redevelopment Legislation

SB 659 (Padilla), which as amended on January 13, 2012, would temporarily postpone the dissolution deadline for the elimination of Redevelopment Agencies (RDAs) from February 1, 2012 to April 15, 2012, among other provisions. The bill also cites intent to codify the California Supreme Court's December 29, 2011 decision in the *California Redevelopment Association v. Matosantos* case. The following is a summary of the key provisions in SB 659:

Successor Agencies

ABX1 26 established successor agencies which would typically be a city, county, or the city and county that established the RDA. These successor agencies are required to make payments for enforceable obligations, which are defined in ABX1 26, and to principally wind up the affairs of the former RDAs. If a local government entity elects not to be a successor agency, a designated local authority would be formed with three members appointed by the Governor.

SB 659 would establish certain new requirements regarding the designation of successor agencies. First, a city or county that elected not to be the successor agency, and who filed a copy of an authorized resolution to that effect with the county auditor-controller no later than January 13, 2012, may submit a petition for

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reconsideration to the Governor to serve as a successor agency by February 15, 2012. The Governor would have sole authority to grant reconsideration. The City of Los Angeles is the only RDA that filed an authorized resolution not to become a successor agency. SB 659 also would extend the date for a successor agency to report insufficient funds to the county auditor-controller to May 15, 2012.

Extension of RDA Responsibilities

SB 659 would extend from October 1, 2011 to April 15, 2012, the date by which the former RDAs would: 1) transfer assets, properties, contracts, leases, books and records, building and equipment to successor agencies; and 2) determine all cash or cash equivalents and amounts owed to the RDA. The legislation stipulates that new or expanded existing obligations, instituting condemnations proceedings or issuing additional bonds or other indebtedness would be prohibited between December 29, 2011 and April 15, 2012. The measure also would provide payments to RDAs for administration costs incurred prior to April 15, 2012.

County Auditor Responsibilities

SB 659 would extend key dates by which the county auditor must complete the following activities: 1) by April 15, 2012, calculate the amount deposited for each former RDA into the Redevelopment Property Tax Trust Fund; 2) by May 1, 2012, transfer property tax funds of each successor agency into the Redevelopment Obligation Retirement Fund and distribute property tax revenues to cities, county, schools or special districts when a recognized obligation is paid; and 3) by July 1, 2012, conduct an audit of each former RDA and submit a copy to the State Controller.

Recognized Obligation Payment Schedule

ABX1 26 requires successor agencies to make payments on legally enforceable obligations of the former RDAs until a Recognized Obligation Payment Schedule (ROPS) is adopted by the successor agency, certified by the county auditor, and approved by the oversight board, the State Controller and the Department of Finance. The ROPS must include the date, amount and source of revenue for each payment. Until the ROPS becomes operable, successor agencies may only make payments on the last initial enforceable obligations payment schedule adopted by the former RDA. SB 659 would extend this provision from October 1, 2011 to April 15, 2012.

SB 659 also would extend from January 1, 2012 to May 1, 2012, or until the ROPS is deemed valid, provisions which specify that only payments listed in the ROPS may be made by successor agencies from the funds listed in the ROPS. The bill would change

from January 1, 2012 to May 1, 2012, the date on which the ROPS would supersede the Statement of Indebtedness.

Potential County Impact

ABX1 26, as enacted June 29, 2011, clearly outlines a process to expeditiously wind down the affairs of redevelopment agencies and contains key provisions that prohibit the creation of new obligations or debts and ensure that enforceable obligations are safeguarded as RDAs are dissolved and debt is retired. These provisions are intended to preserve the revenues and assets of RDAs to ensure that enforceable obligations, as defined in ABX1 26, are paid and to allow local governments to use these revenues to fund core government services. Therefore, any delay, as proposed in SB 659, would create confusion on the implementation of ABX1 26 and would prevent local governments from receiving revenues, previously allocated to RDAs, which could be used to address critical local government needs. Any tax increment remaining after the payment of former RDA enforceable legal obligations, pass-through payments, and limited administrative costs, will be distributed to the taxing entities as property tax. In Los Angeles County, as of January 24, 2012, only one city opted out of becoming a successor agency and it is expected that 70 out of 71 cities will be assuming the responsibilities of successor agencies to wind down the affairs of their respective RDAs.

Furthermore, the postponement of the dissolution of RDAs under SB 659 would have a significant fiscal impact on the State Budget in the current year and FY 2012-13. Since December 2010, Governor Brown and the Legislature have been working to address a deficit, which was projected to be as high as \$26.6 billion, and the enactment of ABX1 26 provides the State an estimated \$1.7 billion in budgetary savings in FY 2011-12 and \$1.0 billion in FY 2012-13. Additionally, the projected savings could, in fact, be significantly higher because of the recent Supreme Court's decision to invalidate ABX1 27. If the dissolution of RDAs is postponed, the State will experience a decrease in projected savings and will be forced to make reductions in other areas to balance its budget, which may impact County programs and services. Over the past couple of years, programs administered by counties, such as health and social services, have experienced major budget reductions as a result of State Budget actions. On January 18, 2012, Governor Brown indicated that he would oppose legislation to delay the scheduled elimination of RDAs.

County Counsel indicates that should RDAs temporarily continue in existence under SB 659, the County would not benefit, and could even be harmed if efforts by the California Redevelopment Association and others to restore community redevelopment agencies are successful in seeking legislation to reestablish redevelopment.

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The Auditor-Controller indicates that extension of the deadline from February 1, 2012 to April 15, 2012 would allow redevelopment agencies to continue receiving property tax revenues for an additional two and a half months. During this postponement, RDAs financial activities would continue to occur in the absence of administrative supervision, such as by an oversight board under ABX1 26, and it would be very difficult to ensure that RDA payments would be made for legitimate and allowable enforceable obligations.

On January 24, 2012, your Board adopted a motion to oppose SB 659 and directed the Chief Executive Officer to express the County's oppose position to the Legislature and the Governor. Therefore, the Sacramento advocates are actively opposing this measure.

SB 659 is currently at the Assembly Desk awaiting assignment to a policy committee.

Change in Pursuit of County Position on Legislation

County-opposed SB 200 (Wolk), which would have required State agencies responsible for authorizing or implementing provisions of the Bay Delta Conservation Plan to establish environmental standards consistent with maintaining water quality in the Sacramento-San Joaquin Delta, was amended on January 4, 2012 to delete these provisions.

As amended, SB 200 now addresses the maintenance of the Sacramento-San Joaquin Delta levee. The Department of Public Works indicates that with these amendments SB 200 does not have a direct impact to the Los Angeles County Waterworks Districts and recommends that the County remove opposition to SB 200 and take no position on this measure at this time. Therefore, **the Sacramento advocates will remove the County's opposition on SB 200, and take no position on this measure.**

SB 200 passed the Senate Appropriations Committee by a vote of 8 to 0 on January 19, 2012. This measure now proceeds to the Senate Floor.

We will continue to keep you advised.

WTF:RA
MR:VE:sb

c: All Department Heads
Legislative Strategist